

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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In the Matter of the Application of
California-American Water Company (U
210 W) for an order authorizing it to
increase its rates for water service in its Los
Angeles District to increase revenues by
\$2,020,466 or 10.88% in the year 2007;
\$634,659 or 3.08% in the year 2008; and
\$666,422 or 3.14% in the year 2009

A.06-01-005

JOINT PETITION TO MODIFY DECISION 07-08-030

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Dated: November 20, 2007

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Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), California-American Water Company ("California American Water") and the Division of Ratepayer Advocates ("DRA") (collectively, the "Parties")¹ hereby submit this Joint Petition for Modification of Decision ("D.") 07-08-030, issued August 23, 2007.² The Parties respectfully request that the Commission modify D.07-08-030 to allow rate design issues, including issues related to a Water Revenue Adjustment Mechanism ("WRAM") and a Modified Cost Balancing Account ("MCBA"), to be considered as part of the second phase of this proceeding. The proposed modifications to D.07-08-030 are attached as Appendix A.

In D.07-08-030, the Commission stated:

We find that a discussion of a WRAM, MCBA and other possible tools to encourage conservation should happen in an industry-wide proceeding. We similarly find that any discussion of an [return on equity] reduction is also best suited for an industry-wide

¹ Although they did not join in the Petition, the City of Duarte and the City of San Marino have informed the Parties that they do not object to the Petition.

² Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Los Angeles District, D.07-08-030, 2007 Cal. PUC LEXIS 444.

proceeding. We do not wish to prejudge this issue in a specific company's GRC.³

While the Parties agree that the issue of a return on equity (ROE) adjustment is best suited for an industry-wide proceeding, such as the Commission's Conservation OII proceeding (I.07-01-022, et al.), the issue of a conservation rate design for California American Water's Los Angeles District, potentially including a WRAM and a MCBA, is best addressed as part of the second phase of this GRC proceeding.

The Conservation OII proceeding is a complex proceeding involving multiple water companies and intervenors and multiple issues and phases. By contrast, California American Water's GRC proceeding includes only a handful of parties and is now limited to the issue of a conservation rate design for California American Water's Los Angeles District. The parties to California American Water's GRC proceeding, as well as the assigned Administrative Law Judge, are well-versed in the characteristics of the Los Angeles District and its specific needs and constraints related to rate design. Since it has not been addressed in the Conservation OII, however, the parties and the assigned Administrative Law Judge in that proceeding are less familiar with California American Water's Los Angeles District.

Given the likely possibility of a water shortage by the summer of 2008, it is the best interests of the customers, California American Water and the Commission to get conservation rates in place as soon as possible. This is best achieved by addressing the issue of conservation rate design, including the possibility of a WRAM or MCBA, as part of the second phase of this GRC proceeding. The Commission can address the issue of a ROE adjustment as part of the conservation OII.

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³ Id., 2007 Cal. PUC LEXIS 444, *3.

For these reasons, the Parties respectfully request that the Commission modify

D.07-08-030 in accordance with the attached Appendix A.

Respectfully submitted,

Respectfully submitted,

By: 

Natalie D. Wales

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November 20, 2007

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November 20, 2007

Appendix A

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We adopt here a return on equity (ROE) for Cal-Am's Los Angeles District of 10.0% for the three-year GRC period. ~~We also reject Cal-Am's proposed Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA). We find that a discussion of a WRAM, MCBA, and other possible tools to encourage conservation should happen in an industry-wide proceeding. We similarly find that any discussion of an ROE reduction is also best suited for an industry-wide proceeding. We do not wish to prejudge this issue in a specific company's GRC.~~

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~~We find that it would be premature to approve a WRAM in one company's GRC. The goals of conservation and methods to reduce the financial risk associated with conservation are industry-wide issues and therefore should be discussed in an industry-wide proceeding.~~

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~~We agree that an industry-wide proceeding is the more appropriate vehicle to discuss various mechanisms such as a WRAM (either with or without an adjustment to ROE) and have therefore decided to reject Cal-Am's proposed WRAM in this proceeding.~~

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Findings of Fact

17. ~~The adoption of a WRAM and MCBA is premature. The adoption of an adjustment to ROE due to a WRAM is also premature. These issues are~~ This issue is better heard in an industry-wide proceeding.

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Ordering Paragraph

6. ~~Cal-Am's proposed Water Revenue Adjustment Mechanism and a Modified Cost Balancing Account mechanism are rejected.~~

PROOF OF SERVICE

I, Cinthia A. Velez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is STEEFEL, LEVITT & WEISS, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On November 20, 2007, I served the within:

Joint Petition to Modify Decision 07-08-030

on the interested parties in this action addressed as follows:

See attached service list



(BY MAIL) By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Steefel, Levitt & Weiss, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Steefel, Levitt & Weiss for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.



(BY PUC E-MAIL SERVICE) By transmitting such document(s) electronically from Steefel, Levitt & Weiss, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practices of Steefel, Levitt & Weiss for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.1 of the Public Utilities Commission of the State of California and all protocols described therein.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on November 20, 2007, at San Francisco, California.


Cinthia A. Velez

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A.06-01-005
Last changed: November 8, 2007

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